

INTERNATIONAL CITY MANAGERS' ASSOCIATION
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Return To:

CHANGING DAILY WAGE EMPLOYEES TO ANNUAL PAY BASIS

What has been the experience of cities that have put hourly or daily wage and seasonal employees on a monthly or annual pay basis and how was the change-over carried out?

Many cities have employees whose work is essentially manual and who work steadily year in and year out but who are employed by the hour or day. For instance, a study made of the employment of labor in Cincinnati in 1938 showed that of 408 highway maintenance and waste collection workers employed on an hourly or daily rate the actual annual earnings of 96 per cent fell within the established annual pay range for such positions, \$1,020 to \$1,620. Here it would seem employment was for the most part already sufficiently stabilized to justify the application of the salary basis. In recent years Cincinnati and a number of other cities have placed many of their hourly and daily pay workers on a full-time monthly or annual pay basis. This was revealed in a survey made about three years ago by the International City Managers' Association.

Among other cities which have made progress in this direction is Escabana, Michigan, where employees in the classes of laborer, truck driver, construction equipment operator, equipment repairman, and labor foreman were transferred to an annual pay basis. Sacramento, California, as long as 10 years ago placed all laborers on an annual basis, leaving garbage collectors as the only daily-rate employees in service. Milwaukee, Wisconsin, during the depression placed approximately 700 employees on a monthly pay basis; this has been followed with other similar action until by January, 1943, only 50 laborers in the entire city service remained on an hourly basis. Other cities which have put some or all skilled and unskilled workers on an annual basis are Des Moines, Iowa; Detroit, Michigan; Everett, Washington; Minneapolis, Minnesota; New Rochelle and New York City, New York; San Diego, California; and Dallas and Wichita Falls, Texas.

Results. The survey made by the ICMA showed that the results of changing over to an annual basis have been highly satisfactory even in those cases in which readjustments of work schedules and the adoption of new work methods were necessary for positions in which employees had not previously worked steadily. Of greatest significance is the fact that all of the cities which have had sufficient experience under the new plan upon which to base conclusions have reported that a "better type of employee" has resulted. Excluding present abnormal conditions, a lower turnover has been reported. It has likewise been reported that recruitment to those classes of positions involved has been facilitated as a direct result of making the service more attractive. As to whether the shift to an annual employment basis results in decreased or increased costs of operation there appears as yet to be no unanimity of opinion. The different types of work involved, different methods of leveling the work load where that was necessary, and insufficient comparability of cost computation probably account for the lack of unanimity. At least there is no evidence to point definitely toward increased costs. At the same time, a general agreement was reported that "changes in work planning and scheduling" made necessary by the shift in the employment basis, have "proved to be more efficient than the former" work system. This would appear to be the logical result of focusing attention upon the over-all management problems of planning work in advance.

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Problems to Consider. The principal question where employees have been working steadily prior to the change in the employment basis is the determination of the new annual or monthly rate. Possible methods of arriving at the new rate are:

1. Multiplying the hourly or daily rate by the standard work week and multiplying the result by 52 weeks.
2. Multiplying the hourly or daily rate by a factor representing something less than full time, steady employment.
3. Approximating the actual annual earnings of a representative number of such employees.
4. Conducting a pay survey of annual rates paid for similar work by other public and private employers and determining a prevailing annual rate.

One of these methods may prove to be more effective than another under certain circumstances. In the case of the building trades which are highly unionized on a craft basis, many cities have been accustomed to pay the prevailing or union hourly scale rates which have generally been established with the unsteady employment of the construction industry in mind, rather than the conditions of annual municipal employment with its attendant benefits. In a situation of this kind methods (2) and (3) would appear to be more equitable to both employee and management than (1). It probably would be difficult to obtain adequate data for method (4), but this plan should be used whenever available. In other cases, such as those involving custodial help, where the hourly or daily rate has been based upon a fair wage for reasonably steady employment, methods (1), (3), or (4) may each be entirely satisfactory.

The same methods of rate determination may be applied to positions in which it has been necessary first to stabilize employment, except that method (3) probably would be unsatisfactory. The same conditions as indicated above, under which the other methods could be employed, would apply. Regardless of the circumstances or type of work involved, method (4) should be used so far as possible in keeping with the general principles of classification-pay determination.

The most serious problem, when it is present, is that of stabilizing the work sufficiently to make possible the annual basis of employment. It is not possible within present space limitations to consider in detail the variety of methods which may be used, each the result of a particular set of conditions. Basically, however, these are of two types. First is the utilization of the same employees at different times in different types of work which require similar aptitudes but which may require training in particular skills. Second is the planning ahead of work programs in order that approximately the same numbers and types of employees may be utilized at all times. That each of these methods involves careful planning and programming on the part of management cannot be denied. The results have already been indicated for those cities which have given careful thought to the problem.

One additional problem should be considered, and that is the selling of the program to employees, this despite the fact that it is to their direct advantage. One type of employee group may include the skilled craftsman to whom hourly wages and irregular employment are traditional. He is not accustomed to thinking in terms of what he makes in a year. He may be inclined to be suspicious of major changes in his work status and to minimize the advantages to him and his fellow employees of those changes. In at least two cities unions have indicated that their best employees are those who have entered the city service on an annual employment basis. Another group is that of the unskilled workers who may have some difficulty in understanding conditions of employment. Here again it is a problem of employee relations, selling the workers on the plan rather than taking arbitrary action.

How the change-over may be accomplished is indicated in the following information supplied by city officials:

DES MOINES, IOWA: All classes of labor have been employed on an annual basis for several years and are given the same treatment as other regular full-time employees with regard to sick leaves, vacations, and promotions. In stabilizing the work of the paving repair division, for example, much temporary paving repair is now done after the regular paving season is over. Street crews not engaged in year-around work gravel unpaved streets during the winter season when there is no excessive amount of snow to remove. Street cleaning is carried on throughout the year and when heavy snows require more labor than the street cleaning crews provide, all other regular crews are assigned to snow removal work. The amount of time gained during the heavy season in working hours over and above the regular five-day week of 40 hours often amounts to more than 25 working days, which are compensated for by time off at the end of the year. In transposing the hourly or daily rate into an annual rate, city officials and representatives of the union agreed that the length of the work year be 240 eight-hour days, that overtime be allowed for all work in excess of an eight-hour day or a 40-hour week, that sick leave be allowed, that an annual salary be paid in 24 equal semimonthly payments, and that wages at the prevailing rate be paid for all work over the yearly schedule. Although the over-all cost of the work done by these employees was increased, the change to the annual pay basis has resulted in a lower rate of employee turnover, in recruitment of a better type of employee, and in better planning and scheduling.

DALLAS, TEXAS: Late in 1941 Dallas transferred all laborers from an hourly to a monthly basis and set up three classes of salary ranges which permit recognition of meritorious service and promotion from one class of labor to another. The plan increased labor costs approximately 4.6 per cent but nothing has ever been done for labor in Dallas which has secured such good results in improved morale, according to the city manager. Laborers are not eligible for a monthly salary until they have been employed continuously for six months, which eliminates seasonal workers who remain on the usual rate. All laborers are allowed the same sick and annual leaves granted to clerical personnel.

DETROIT, MICHIGAN: Some 700 employees formerly on a hourly rate basis, except seasonal workers on street paving repairs and summer help in the parks and recreation department, were placed on the salary payroll as of July 1, 1942. They receive the same treatment as other regular full-time employees with regard to sick leaves and vacations (after eight consecutive months of service), and retirement benefits, and eligibility for promotion. In going to the yearly rate, the hourly rate was multiplied by 2,080 hours to arrive at the annual pay. Overtime is compensated by a combination of equivalent time off and payment for hours worked.

Experience in the business and industrial fields is outlined in such publications as (1) Guaranteed Annual Wages. By Jack Chernick and George C. Hellickson. University of Minnesota Press, Minneapolis. 1945. 146 pp. \$2.50. (2) Guaranteed Wages the Year Round. Congress of Industrial Organizations, 718 Jackson Place NW, Washington 6, D.C. 1945. 24 pp. 10 cents.

